

File

HIGHLAND-CROW RESOURCES LTD.

**Annual Report
1980**

HIGHLAND-CROW RESOURCES LTD.

(Incorporated under the laws of the Province of British Columbia)

Authorized Capital:

5,000,000 shares without par value

DIRECTORS

SIR MICHAEL BUTLER, Bt. Q.C. Victoria, B.C.
R.E. HALLBAUER West Vancouver, B.C.
G.A. KEEVIL Edmonton, Alta.
J.D. LEISHMAN West Vancouver, B.C.
A. RICH Edmonton, Alta.

OFFICERS

G.A. KEEVIL President
R.W. KRAM Secretary
G.R. SHIPLEY Treasurer
J.G. TAYLOR Controller

AUDITORS

COOPERS & LYBRAND

SOLICITORS

BUTLER, ANGUS Victoria, B.C.

TRANSFER AGENTS

THE CANADA TRUST COMPANY Vancouver, B.C.
and Toronto, Ont.

REGISTERED OFFICE

1199 WEST HASTINGS STREET, VANCOUVER, B.C., V6E 2K5

ANNUAL GENERAL MEETING

The Annual General Meeting of the Shareholders will be held on Tuesday, January 27, 1981 in the Kamloops Room at the Holiday Inn, 1133 West Hastings Street, Vancouver, B.C. at 11:00 o'clock in the morning (Pacific Standard Time).

HIGHLAND-CROW RESOURCES LTD.

TO THE SHAREHOLDERS

The Board of Directors is pleased to present the financial statements for the year ended September 30th, 1980 and this report of activities. In April the Board of Directors of the company was streamlined and active management was transferred to Anthony Rich and Gordon Keevil. They have brought to the company several years of exploration and development experience.

This change in management has enabled Highland-Crow to undertake more active exploration programs in both the mineral and oil and gas sectors. Due to uncertainties resulting from recent legislation in Canada which will affect oil and gas production and give a smaller potential cash flow, the company has restricted its oil and gas involvement to prospects in the United States. During the year Highland-Crow acquired a 14.7% participating interest in a five well exploratory program located in the Bend-Arch area approximately one hundred and seventy miles southwest of Dallas, Texas. Four of the wells have been drilled and have encountered potential oil and gas plays. Production casing has been set on all four wells which are presently waiting completion prior to production testing. The fifth well is a development well and will not be drilled until production testing has been completed on the initial well.

Highland-Crow has also acquired a 6.25% participating interest in two deep exploratory wells located in south Texas. The first well, which is located on the Alta-Mesa Prospect in Brooks County, is presently drilling at approximately eight thousand feet with an estimated total depth of ninety five hundred feet. This well is located in an area characterized by very high formation pressures and is therefore being drilled with extreme caution. Although four different formations have produced significant natural gas shows during drilling the well has not been evaluated by logging or testing due to the aforementioned drilling difficulties. It is therefore premature to comment on the potential of this well. The first test well is expected to be at total depth before the end of 1980. The second well which will be drilled on the West Clara Driscoll Prospect in Nueces County, will commence drilling immediately following completion of the Alta-Mesa well. Both wells anticipate high reserves if successful. Highland-Crow has established its association with reliable operators in the United States, and intends to continue with this participation.

Highland-Crow in conjunction with three other companies under Keevil-Rich management has established an exploration office located in Calgary, Alberta. The main function of this office will be to generate and operate oil, natural gas and mineral prospects in Canada and the United States. In the oil and gas sector this will enable capital to be sought from new sources such as private tax related programs or joint ventures with corporate participants and may thus expand capital exposure without increasing direct risk capital.

Highland-Crow's mineral exploration ventures have included a continuation of exploration work on existing properties and projects as well as a new involvement in a regional exploration program in northwestern Ontario. The company maintained its 33.3% participating interest in the Cub Joint Venture, which completed another aggressive exploration program during the 1980 field season. This venture is a substantial regional ex-

ploration program for tungsten in the Yukon. A substantial drill target has been delineated and is considered a good undrilled tungsten prospect. The company will not make any decisions regarding participation in future exploration until it has received the final reports on the most recent field work. Metallurgical studies on the Cariboo-Bell copper-gold deposit are still being conducted and the recent rise in the price of gold has revived interest in this deposit. Difficulties related to copper extraction are still being studied and it is hoped that this will ultimately result in a successful solution of this problem. No additional exploration will be undertaken on the property until metallurgical tests indicate that the existing reserves are economically viable.

Highland-Crow acquired a 31% working interest in a joint venture engaged in a regional exploration program based on detailed geology and geochemistry in the Sudbury and Sault Ste. Marie area of northwestern Ontario. The first phase of this exploration has recently been completed and has resulted in the acquisition of three excellent gold properties and a uranium property. In addition, the joint venture expects to acquire a silver property in this area which has good development potential. Since this was a regional program based on new geological concepts it is difficult to define the full potential of the properties at this early stage of their development. However all the gold prospects do have economic mineralization associated with them. The uranium property, which is located in the vicinity of Elliot Lake, may represent our most important discovery. The uranium discovered during the program is not directly related to the existing mines in this area and is a new discovery in a different stratigraphic horizon. This property has only recently been acquired and no further information can be released at this time. Highland-Crow expects that exploration programs will continue during the 1981 field season and hopes to expand its activity in this area through additional property acquisition and regional programs.

The company intends to continue working in the oil and gas sector through newly generated projects in Canada and also by participating with partners in the United States. The latter will enable the company to develop a significant cash flow and reserve base in the near future. In the mineral exploration area the company intends to continue its aggressive search for properties which have the potential of developing into large tonnage ore deposits. The company will continue to work with and make use of the expertise available through Teck Corporation but will be wholly responsible for its own mineral exploration programs. The upcoming year will be a very interesting one for Highland-Crow as development continues on its many oil, natural gas and mineral properties.

On behalf of the Board,



G.A. Keevil
President.

December 15, 1980.

COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

OFFICES THROUGHOUT CANADA
AND IN PRINCIPAL AREAS
OF THE WORLD

MAILING ADDRESS

P.O. BOX 11128, ROYAL CENTRE
1055 WEST GEORGIA STREET
VANCOUVER, BRITISH COLUMBIA, CANADA V6E 3R2

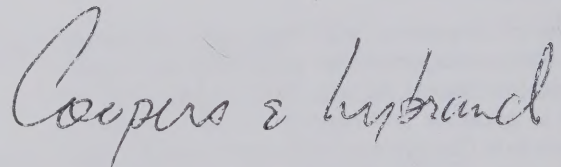
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VANCOUVER, BRITISH COLUMBIA, CANADA
V6E 3R2

CABLE ADDRESS: COLYBRAND, VANCOUVER, B. C.
TELEX: 04-507630

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Highland-Crow Resources Ltd. as at September 30, 1980 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Vancouver, B.C.
November 14, 1980

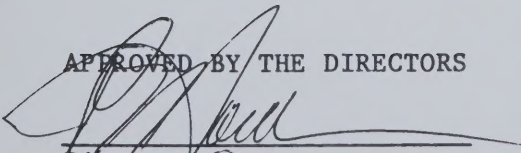
CHARTERED ACCOUNTANTS

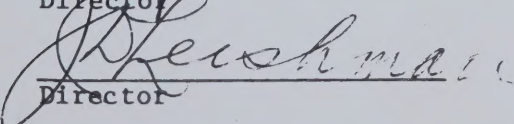
HIGHLAND-CROW RESOURCES LTD.

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 1980

A S S E T S		
	1980	1979
	\$	\$
CURRENT ASSETS		
Cash	55,656	27,346
Accounts receivable	26,916	40,311
Short-term deposits and accrued interest	<u>750,000</u>	<u>1,184,494</u>
	832,572	1,252,151
INTERESTS IN JOINT VENTURES AND INVESTMENTS (Note 2)	416,878	304,531
PRODUCING PETROLEUM PROPERTIES - at cost less accumulated amortization of \$23,766 (1979-\$15,318)	230,834	167,877
NON-PRODUCING PETROLEUM PROPERTIES - at cost less accumulated amortization of \$15,968	168,623	57,265
MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS	1,537,470	1,485,364
INCORPORATION COSTS	<u>1,224</u>	<u>1,224</u>
	<u><u>3,187,601</u></u>	<u><u>3,268,412</u></u>
L I A B I L I T I E S		
ACCOUNTS PAYABLE	5,134	29,797
DEFERRED INCOME TAXES	139,000	151,000
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARIES	<u>13,344</u>	<u>13,344</u>
	<u>157,478</u>	<u>194,141</u>
S H A R E H O L D E R S ' E Q U I T Y		
CAPITAL STOCK (Note 4)	3,159,881	3,159,881
DEFICIT	<u>129,758</u>	<u>85,610</u>
	<u>3,030,123</u>	<u>3,074,271</u>
	<u><u>3,187,601</u></u>	<u><u>3,268,412</u></u>

APPROVED BY THE DIRECTORS


Director


Director

HIGHLAND-CROW RESOURCES LTD.

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

FOR THE YEAR ENDED SEPTEMBER 30, 1980

	1980 \$	1979 \$
REVENUE		
Income from petroleum properties	19,190	17,617
Interest and other income	128,601	96,904
Dividends		10,300
	<u>147,791</u>	<u>124,821</u>
EXPENSE		
Petroleum operating costs	1,592	
Administration and general	53,824	58,969
Mineral exploration costs written off	820	11,226
Petroleum costs written off	102,595	
Amortization of petroleum properties	<u>24,416</u>	<u>8,448</u>
	<u>183,247</u>	<u>78,643</u>
EARNINGS (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	(35,456)	46,178
RECOVERY OF (PROVISION FOR) DEFERRED INCOME TAXES	<u>12,000</u>	(17,000)
NET EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	(23,456)	29,178
EXTRAORDINARY ITEMS		
Loss on sale of interest in joint venture	(20,692)	
Gain on sale of investment, net of taxes		418,937
Recovery of income taxes on application of prior years' losses		<u>6,000</u>
NET EARNINGS (LOSS) FOR THE YEAR	(44,148)	454,115
DEFICIT - BEGINNING OF YEAR	<u>85,610</u>	<u>539,725</u>
DEFICIT - END OF YEAR	<u>129,758</u>	<u>85,610</u>
EARNINGS (LOSS) PER SHARE		
Before extraordinary items	(.01)	.01
After extraordinary items	(.02)	.20

HIGHLAND-CROW RESOURCES LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 1980

	1980 \$	1979 \$
SOURCE OF WORKING CAPITAL		
From operations	92,375	54,626
Sale of interest in mineral properties	7,500	
Sale of interest in Harman Syndicate	10,328	
Issue of shares		384,672
Sale of investments		932,853
	<u>110,203</u>	<u>1,372,151</u>
USE OF WORKING CAPITAL		
Investment in Middle Fork Copper Mines Inc.	1,000	
Investment in other securities	7,425	
Interest in Harman Syndicate		2,456
Interest in Cub Joint Venture	135,942	174,078
Petroleum properties	300,326	57,265
Mineral rights and deferred exploration costs	60,426	10,170
	<u>505,119</u>	<u>243,969</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(394,916)	1,128,182
WORKING CAPITAL - BEGINNING OF YEAR	<u>1,222,354</u>	<u>94,172</u>
WORKING CAPITAL - END OF YEAR	<u><u>827,438</u></u>	<u><u>1,222,354</u></u>
REPRESENTED BY:		
Current assets	832,572	1,252,151
Current liabilities	<u>5,134</u>	<u>29,797</u>
	<u><u>827,438</u></u>	<u><u>1,222,354</u></u>

HIGHLAND-CROW RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 1980

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The financial statements include the accounts of the company and its subsidiaries, Pickfields Mines Limited and Middle Fork Copper Mines Inc.

Interests in joint ventures

Interests in joint ventures are for explorations and are carried at cost. The costs do not necessarily reflect present or future values.

Petroleum properties

Costs incurred on the exploration for and development of petroleum property reserves are accounted for by the successful efforts method whereby all expenditures are deferred as undeveloped and non-producing costs are amortized at an annual rate of 8% until the property is abandoned or placed into production.

The costs relating to abandoned properties are charged to earnings in the year of abandonment and geological and geophysical costs are expensed as incurred.

Properties placed into production are transferred to producing well costs and depletion and depreciation of the lease acquisition costs, costs of drilling and equipping these wells are calculated on the unit of production method based on estimated recoverable reserves.

Mineral properties and deferred costs

Mineral properties and deferred costs are carried at cost or nominal value. These costs or values do not necessarily reflect present or future values.

Mineral exploration costs are charged to current operations in the year in which they are incurred, except where these costs relate to specific areas having indicated economic potential, in which case they are deferred. The deferred costs will be amortized over the life of the orebody following commencement of production, or written off if the property is sold or abandoned.

2. INTERESTS IN JOINT VENTURES AND INVESTMENTS

	Cost	
	1980	1979
	\$	\$
INTERESTS IN JOINT VENTURE		
Harman Syndicate		31,021
Cub	401,874	265,931
INVESTMENTS		
Marketable securities	7,578	7,578
Other securities	7,426	1
	<u>416,878</u>	<u>304,531</u>

HIGHLAND-CROW RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 1980

2. INVESTMENTS AND INTERESTS IN JOINT VENTURES (continued)

(a) Interest in Cub Joint Venture

The company has a 33 1/3% interest in a prospecting joint venture in the Yukon Territory, subject to a 2% net profits royalty. The joint venture holds several groups of claims on which exploration work will be carried out in 1981.

(b) Marketable securities

The marketable securities had a quoted market value of \$64,500 at September 30, 1980.

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION AND DEVELOPMENT COSTS

The company owns the following:

	Sept. 30, 1979 \$	Expendi- tures during year (receipts) \$	Sept. 30, 1980 \$
Cariboo-Bell group, B.C.	383,917	57,577	441,494
Cin Group, B.C.	536,022		536,022
Concession 356 Group, Quebec	99,754	(7,500)	92,254
Other	<u>465,671</u>	<u>2,029</u>	<u>467,700</u>
	<u>1,485,364</u>	<u>52,106</u>	<u>1,537,470</u>

On January 14, 1971 the company entered into an agreement with Cominco Ltd. whereby further exploration and development of the Cin group's mineral claims was to be carried out and financed by Cominco up to a maximum expenditure of \$100,000 covering approximately a three year period ended December 1, 1973. The expenditure requirements were met for the first two years, but Cominco did not proceed with development and exploration work to the end of the third year. Amendments to the agreement have been made whereby the remaining requirements have been deferred, but Cominco has undertaken to maintain the claims in good standing. Provision is also made whereby Cominco, on one year's notice, terminate the agreement.

On November 30th 1979, the company entered into an agreement with D'Or Val Mines Limited whereby D'Or Val can earn a 100% interest in Concession 356 by completing certain work requirements and by making optional payments totalling \$100,000 on or before November 1st 1983. The company retains a 20% net profits interest or 4% of net smelter returns, whichever is the greater.

HIGHLAND-CROW RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 1980

4. CAPITAL STOCK

Authorized -

5,000,000 common shares without
nominal or par value

Issued and fully paid -

	1980	1979
	\$	\$
2,412,609 shares	<u>3,159,881</u>	<u>3,159,881</u>

5. INCOME TAXES

At September 30, 1980 the company has approximately \$2,800,000 of exploration and development costs which can be carried forward to reduce income for tax purposes in future years. Of this total approximately \$1,300,000 is restricted, to be applied only against income from properties acquired from predecessor companies.

6. OTHER INFORMATION

(a) Remuneration of directors and senior officers

No remuneration was paid to directors and senior officers during the year ended September 30, 1980, (1979 - nil).

(b) Related party transactions

During the year deferred exploration costs of \$39,000 have been paid to Teck Explorations Limited, an associated company.

(c) Under the terms of a management agreement dated May 1, 1980, a company controlled by two directors of Highland-Crow Resources Ltd. is entitled to a 2% gross overriding royalty on every well located on the company's petroleum properties in North America acquired by the company after May 1, 1980 where the directors acted as consultants. The agreement also grants the directors an option to purchase up to a 10% undivided working interest in mining properties in North America acquired by the company after May 1, 1980 where the directors acted as consultants.

